

RIP Newsbreak

*Alaska Teachers' Retirement System
Alaska Public Employees' Retirement System*

Number 63

June 1996

HB 354—School District Employees

Retirement Incentive Program

House Bill 354 was signed by Governor Knowles on the 18th of June. This act, Chapter 65, Session Laws of Alaska 1996, encourages eligible employees to retire up to three years earlier than they had planned as a cost savings for school districts. Representative Jerry Mackie was the prime sponsor of this legislation.

The requirements of the incentive program and the application and retirement deadlines are outlined in this newsletter.

This incentive program is available only to employees of school districts and employees of Mt. Edgecombe and the Alaska Vocational Technical center.

An incentive program may be implemented if the program will produce an overall cost savings to the employer. The application and retirement deadlines will be determined by the employer when the program is established.

Before an employee will be considered eligible to participate, the employer must choose to participate in

the program and the employee must be assigned to a designated unit by the employer.

Participating employers are required to adopt a plan (designated organizational unit) which shows a savings in personal services costs over a period of five years.

This plan must name the eligible employees who are included. The costs of providing the RIP will be paid by those employers and employees who elect to participate.

Need information about the Retirement Incentive Program?

If you need information about the RIP, call the Division of Retirement and Benefits at:

Juneau (907) 465-4460
Anchorage (907) 563-5885

When calling the division you will need to provide the following information:

- ➔ your name
- ➔ social security number
- ➔ daytime phone number
- ➔ reason for calling

Your call will be transferred to your field representative. You may reach their voice mail, if so, be sure to tell them if you want your call returned, or if you want information sent to you.

If you would like a projection of what your retirement benefits will be, please also give:

- ❶ your current monthly salary,
- ❷ your spouse's birth date,
- ❸ the date you plan to terminate employment,
- ❹ the date you want to retire.

Retirement staff will call you back as quickly as possible or mail the information to you, whichever you prefer. As this may take several days, depending on the volume of calls and complexity of the individual situations, your patience will be appreciated.

The division's workload has increased enormously as a result of the Retirement Incentive Program.

At this busy time, we will be able to provide better service if employees will call ahead for appointments.

Employers Required to Show Savings

Employers are required to show that there will be a savings in personal services costs for all designated organizational units.

Designation of School District organizational units will be approved by their respective governing bodies. Usually, a resolution will be adopted which designates units and establishes any eligibility requirements additional to those in law.

Mt. Edgecombe and the Alaska Vocational Technical Center (*state run schools*) organizational units will be designated by the Commissioner of Education. The criteria to be used for designating units will be determined by the Governor's Office of Management and Budget. That office must then certify that each participating unit will save personal services costs.

What is the incentive and how does it work?

Three years of additional credit will be offered to eligible employees. The three years of credit must be applied in the following order:

- ❶ First, to reduce the age or service required to be eligible for early or normal retirement. This credit simply allows employees to retire earlier; it does not increase service.
- ❷ Second, to reduce the actuarial adjustment for those employees who are retiring early. Any credit remaining after satisfying the eligibility requirements will be used to reduce the early retirement adjustment.
- ❸ Last, if there is still unused credit, it will be used to increase service.

The *Retirement Eligibility Charts* on page 4 shows how the credit is applied.

Employee's Cost

There is a cost to employees who elect to participate in the RIP.

The cost is based on your annual compensation for the year in which you terminate employment to participate. If you work less than 12 months during that year, the total compensation that you earned will be used as a base to calculate an annualized amount. Employees who participate in the RIP are indebted to the retirement system for:

- 20.25% of their annual compensation if they are employed as an "all other" employee in the PERS.
- 25.95% of their annual compensation if they are employed as a teacher in the TRS.

In addition, employees who do not satisfy the cost savings requirement may elect to assume a portion of the employer's cost in order to participate in the program.

If you do not want to pay the RIP indebtedness before retirement, your benefits will be actuarially reduced for life.

Eligibility

To participate in the RIP, employees must:

- be vested;
- meet the minimum retirement age or service requirements after the retirement incentive is added;
- be approved for participation; and
- be named in an approved organizational unit.

Employer's Cost

Participating employers are required to reimburse the retirement system for all costs associated with their employees' participation, except those charged to the employee (above). Employers' costs must be paid within three years after employees retire.

Minimum Requirements for Retirement

Vested employees may retire and receive monthly retirement benefits when they reach retirement age or accumulate enough retirement service to retire at any age.

TRS Members

Employees who were first hired under the TRS before July 1, 1990, are eligible for normal retirement at age 55 and early retirement at age 50. Employees hired later are eligible for normal retirement at age 60 and early retirement at age 55.

TRS employees may retire at any age and receive a normal retirement benefit when they accumulate:

- 20 years of paid-up full-time TRS membership service;
- 20 years of paid-up part-time TRS membership service;
- 20 years of paid-up combined part-time and full-time TRS membership service (employees must receive at least one-half year of membership service credit as a part-time teacher or one full year as a full-time teacher in each of 20 full school years);
- 20 years of paid-up combined TRS and Alaska BIA service (the last five years must be membership); or
- 25 years of paid-up credited service (the last five years must be membership).

PERS Members

Employees who were first hired under the PERS before July 1, 1986, are eligible for normal retirement at age 55 or early retirement at age 50. Employees hired later are eligible for normal retirement at age 60 or early retirement at age 55.

PERS employees may retire at any age and receive a normal retirement benefit when they accumulate:

- 30 years of paid-up full-time PERS service

TRS and PERS Members: Military and temporary service may not be used to satisfy the 30 years needed to retire at any age.

Warning!

Although the retirement systems have a record of your service, your employer(s) will be required to verify that your service is correct before you retire.

It is occasionally necessary to adjust service before placing employees on retirement. You should ask your employer to confirm that you have enough service to retire BEFORE you quit your job, especially if you have worked part-time or have had leave without pay (LWOP).

Frequently, part-time service, and LWOP is not reported to the retirement systems correctly and service is adjusted at retirement time.

To avoid unpleasant surprises, make sure that you are eligible to retire before you quit your job.

To be vested, you must have:

TRS Members

- eight paid-up years of TRS service;
- five years of paid-up TRS membership and three years of paid-up Alaska Bureau of Indian Affairs (BIA) service;
- 15 years of paid-up TRS credited service if the last five years are membership service and the employee was first hired under the TRS before July 1, 1975;
- 12 paid-up years of combined part-time and full-time membership service. Members must have at least on-half year of membership service as a part-time teacher or one full year of membership service as a full-time teacher in each of 12 full school years.

PERS Members

- five paid-up years of PERS service.

The RIP allows eligible employees to retire at a younger age or with less service because of the three additional years of credit that they will receive.

Eligible employees who already qualify for normal retirement would have their benefits increased because they would receive an additional three years of service.

By applying the three years of credit described on page 2 in *What is the incentive and how does it work?* and referring to the *Retirement Eligibility Charts* on page 4, you can see how the RIP credit works.

Retirement Eligibility Charts

To find out how the three years of RIP credit will be applied, refer to:

- **CHART A** if you are vested and eligible to retire based on your age.
- **CHART B** if you are eligible to retire at any age under the "20 and out" or "25 and out" provisions of the TRS **or** under the "30 and out" provision of the PERS.

Check with your employer to find out if you are in an approved, designated organizational unit.

Chart A - Retirement Eligibility Based on Age (must be vested)

INSTRUCTIONS:

Find your age at retirement in column 1 if you were first hired under the TRS before July 1, 1990 or under the PERS before July 1, 1986. Use column 3 if you were hired on or after those dates.

The RIP age that will be used in your benefit calculation is shown in column 2 or column 4 depending on your hire date.

PERS Employees hired before 7-1-86 TRS Employees hired before 7-1-90		PERS Employees hired after 6-30-86 TRS Employees hired after 6-30-90		All Employees
(1) Employee's actual age at retirement	(2) Employee's age for RIP purposes	(3) Employee's actual age at retirement	(4) Employee's age for RIP purposes	(5) Years of RIP credit used to increase service
47	50	52	55	0
48	51	53	56	0
49	52	54	57	0
50	53	55	58	0
51	54	56	59	0
52	55	57	60	0
53	55	58	60	1 year
54	55	59	60	2 years
55 and over	55	60 and over	60	3 years
If your RIP age is less than 55 in column 2, or less than 60 in column 4, your retirement benefit will be actuarially reduced for early retirement.			Column 5 shows additional credit that will be added to increase your service.	

Chart B - Retirement Eligibility Based on Service

INSTRUCTIONS:

Find your actual credit at retirement in column 1. Directly across in column 2 is your total credit, including any RIP credit, that will be used to calculate your benefit. Column 3 shows additional credit that will be added to increase your service.

TRS employees may retire at any age when they accumulate 20 years of paid-up TRS membership service OR 25 years of paid-up TRS credited service. Refer to page 3 for details.

"All other" employees may retire at any age when they accumulate 30 years of PAID-UP PERS service.

Chart B-1. shows how the RIP credit is applied.

FOR EXAMPLE, an eligible employee with 17 years of part-time or combined service may retire by using the three RIP years to satisfy the 20 year requirement. The RIP credit does NOT increase the employee's benefit.

An eligible employee with 20 years of part-time or combined service would receive an additional three years of service.

(1) Actual years of credit at retirement	(2) Years of credit with RIP credit	(3) Years of RIP credit used to increase service
B-1. 20 and out retirement		
17	17	0
18	19	1 year
19	21	2 years
*20	23	3 years
B-2. 25 and out retirement		
22	22	0
23	24	1 year
24	26	2 years
*25	28	3 years
B-3. 30 and out retirement		
27	27	0
28	29	1 year
29	31	2 years
*30	33	3 years

* Employees with more credit will receive three additional years of credit to increase their service.

RIP Application and Retirement Deadlines

The application period for school district employees under HB 354 is June 30, 1996 through December 31, 1996. Employees must retire no later than August 1, 1997, but employers may require their employees to retire by an earlier date.

Before making retirement plans, ask your employer if you are designated to participate in the RIP.

CAUTION:

Your retirement application must be received by the Division of Retirement and Benefits or postmarked **before** your retirement appointment date. For example, if you intend to retire on July 1, you must make sure that your application is either received by the division or postmarked no later than June 30.

Need retirement counseling?

Please call the Division of Retirement and Benefits for an appointment if you need retirement counseling. Calling ahead will save you valuable time and help us to prepare for your visit.

The division has a fully-staffed office in Juneau and a field office in Anchorage. Both offices are open between 8:00 a.m. and 5:00 p.m., with limited staff working during the noon hour.

Ask Questions

Before making plans to retire under the Retirement Incentive Program, call your personnel office and ask these questions:

- ❶ Is your employer planning to participate in the RIP?
- ❷ Has your employer included you on the list of employees designated to participate?

The answers to both questions must be YES.

PERS Field Representatives

Marianne Cummings

Coastal Southcentral Alaska and Death and Disability Benefits

Includes Cordova, Kodiak, Valdez, Yakutat, and the University of Alaska. Marianne also assists retirees whose Social Security numbers end in 9 and 0.

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Kathy Lea

Aleutians and Western Alaska

Includes Adak, Aniak, Barrow, Bethel, Cold Bay, Dillingham, King Cove, King Salmon, Kotzebue, Naknek, Nome, Sand Point, St. Paul, Unalakleet, Wainwright, and the University of Alaska. Kathy also assists retirees whose Social Security numbers end in 1, 2, and 3.

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Mary Lou Niemann

Fairbanks and Railbelt

Includes Delta Junction, Fort Yukon, Galena, Healy, McGrath, Nenana, North Pole, Tanana, Tok, and the University of Alaska. Mary Lou also assists retirees whose Social Security numbers end in 4, 5, and 6.

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David Watson

Southeast Alaska and Special Systems

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Peter Fisher

Statewide

Peter handles claims under qualified domestic relations orders (ODROs), Child Support Enforcement Division (orders)(CSEDs), Conforming Equitable Distribution Order (CEDO), and IRS Levies.

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Liz Johnson

Statewide

Liz assists members with claims under Survivor and Death Benefits Statewide.

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Returning to Employment

If you retire under this RIP (House Bill 354), and you return to work in a position that is covered by the TRS, the PERS, or the Judicial Retirement System (JRS), you will:

- forfeit the three years of incentive credit that you received; and
- owe the retirement system 110% of the benefits that you received as a result of your participation in the program, including any costs for health insurance. That amount will be reduced by the amount that you paid to participate.

Interest (currently 7%) will accrue on the amount that you owe from the date that you become reemployed until it is either completely

paid or you retire again. Any balance remaining when you retire again will result in an actuarial reduction to your future benefits.

Participating RIP retirees are prohibited from entering into personal services contracts with the University of Alaska or a State agency or returning to State employment in a temporary or nonpermanent capacity for three years after they retire.

Exceptions

(1) Personal services contracts with the legislature are allowed during legislative sessions for hourly individuals who are not eligible for retirement, health, or leave benefits.

(2) Personal services contracts with the University of Alaska are allowed for individuals who are employed to teach or perform research duties.

(3) Personal services contracts with a school district are allowed if the school district establishes to the satisfaction of the commissioner of administration that the school district has a compelling reason to do so because of the employee's specialized or extensive experience that relates to a particular program or project of the school district.

Individuals who retired under prior RIP programs are also subject to reemployment penalties. Contact the Division of Retirement & Benefits for specific information.

ALASKA Cost of Living Allowance (COLA)

If you reside in Alaska after you retire, you may receive COLA in addition to your regular monthly benefit. COLA is equal to 10% of your base benefit (a minimum of \$50.00 for PERS). The following benefit recipients are eligible for COLA:

- members first hired under the TRS before July 1, 1990, and their survivors;
- members first hired under the TRS after June 30, 1990, and their survivors if they are at least age 65;
- members first hired under the PERS before July 1, 1986, and their survivors;
- members first hired under the PERS after June 30, 1986, and their survivors if they are at least age 65; and
- all disabled members, regardless of retirement system or date of hire.

If you leave Alaska on a trip, you are entitled to COLA while you are gone if your absence does not exceed the specified number of days as outlined in the PERS or TRS Information Handbook. You are not eligible for COLA and you must notify the Division of Retirement and Benefits in writing if:

- ① you intend to be gone from Alaska continuously for more than 90 days; or

② **TRS members:**
your current absence, when combined with previous absences, exceeds 90 days in any consecutive 183 day period.

PERS members:
your current absences, exceeds 90 days.

COLA payments that are due will be included on your next benefit check.

COLA will stop on the first of the month following your departure from Alaska. If you receive COLA to which you are not entitled, you will be required to return it to the retirement systems. COLA will start again on the first of the month AFTER:

- ① you return to Alaska; and
- ② your application (form 02-1896) is received by the division.

If your application is received or postmarked on or after the first of the month, COLA will not start again until the following month, regardless of your return date to Alaska. To avoid

losing COLA, you should submit your application as soon as you return to Alaska.

You may hand deliver or mail your application to the division. Mailed applications must be postmarked in Alaska. If a postmark date is illegible, your application is presumed to have been mailed five working days before the date that the application is received by the division.

You may continue to receive COLA for up to six months if:

- ① you must leave Alaska because of illness; and
- ② your physician certifies that your absence is necessary on a form provided by the division.

If your absence exceeds six months, COLA will stop on the first of the seventh month following the date that you left.

You must notify the division BEFORE leaving Alaska, unless you are unable to because of illness.

Retiree Insurance Benefits

Optional Life Insurance Plan

If you are participating in Optional Life Insurance Plan sponsored by the State of Alaska, you may elect to continue your coverage by completing a *Continuation/Waiver* form. Your form must be received by the Division of Retirement and Benefits or postmarked the date you are appointed to receive benefits.

The opportunity to continue this coverage will be offered only once. If your *Continuation/Waiver* form is not received or postmarked by the deadline, your right to the coverage will automatically be waived and you will be unable to enroll later.

Will I be covered under the retiree medical plan if I retire under the RIP?

Major medical insurance coverage is available to employees who retire, including those who retire under the RIP. Employees' eligible dependents are also covered under the retiree medical plan while the employees are covered.

Employees first hired under the:

- TRS before July 1, 1990, or
- PERS before July 1, 1986,

will be covered automatically *at no premium cost* when they begin receiving monthly benefits.

Employees first hired under TRS after June 30, 1990 or under PERS after June 30, 1986, will be covered at no cost when they reach age 65. Younger employees may receive the coverage by electing to pay:

- The full monthly insurance premium if they are under age 60; or
- One-half of the monthly premium if they are over age 60, but under age 65.

Benefit recipients may purchase coverage under the optional Dental-Vision-Audio and Long Term Care insurance plans.

Optional Insurance Plans

Dental-Vision-Audio (DVA) Plan

There are four DVA options available:

- (1) coverage for the benefit recipient only;
- (2) coverage for the recipient and spouse;
- (3) coverage for the recipient and eligible dependent children; and
- (4) family coverage for the recipient, spouse, and eligible dependent children.

To receive DVA and LTC coverage, you must complete DVA and LTC *Enrollment/Waiver* forms. Enrollment forms must be received by the Division of Retirement and Benefits or postmarked by your retirement date.

DVA and LTC coverage will be offered to benefit recipients only once. If your enrollment forms are not received or postmarked by the deadline, your right to participate in the plans will automatically be waived and you will not be allowed to enroll later. (Special provisions apply to PERS retirees first hired after June 30, 1986, and TRS retirees first hired after June 30, 1990.)

Long Term Care (LTC) Plan

Long term care (LTC) insurance pays for covered expenses for convalescent and rest home services which are not covered by the retiree medical plan. There are two options available:

- (1) coverage for the benefit recipient only; and
- (2) coverage for the recipient and spouse.

Note: Since you cannot be covered under more than one LTC plan, if you are covered under your spouse's plan, please inform your retirement representative for special processing.

If you enroll in either plan, premiums will be deducted from your benefit check. A double premium deduction is required on your initial benefit check. Coverage takes effect on the first day of retirement. Details about the coverage and the premium rates will be provided to you when you apply for benefits.

The major medical insurance and dental-vision-audio insurance are NOT the same as the plans you have with your current employer.

Federal Income Tax

Retirement benefits are taxable by the federal government upon receipt. A portion of each monthly benefit may be tax excludable. The tax excludable calculation will be provided to retirees within 90 days after they retire.

Retirees may choose whether or not to have federal income tax withheld from their monthly benefits by submitting a W-4P. Retirees may:

- ❶ elect no withholding and pay their taxes directly to the Internal Revenue Service (IRS) — contact the IRS about filing requirements and deadlines;
- ❷ specify their withholding allowances;
- ❸ specify their withholding allowances plus have an additional amount withheld; or
- ❹ specify the amount to be withheld.

When you retire, federal income tax will automatically be withheld from your benefit unless you send a W-4P specifying your withholding option. When taxes are automatically withheld, the tax rate for a single person with zero allowances will be used to deter-

mine the withholding amount. Send a new W-4P to change your withholding option.

Contact the IRS or a tax expert if you have tax questions. Division representatives cannot give tax advice.

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There are IMPORTANT application and retirement DEADLINES under the RIP (page 5).